

Summary:

Miami-Dade County Expressway Authority, Florida; Toll Roads Bridges

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Credit Profile		
Miami Dade Cnty Expwy Auth toll sys		
<i>Long Term Rating</i>	A/Stable	Affirmed
Miami Dade Cnty Expwy Auth toll sys (FGIC) (ASSURED GTY - SEC MKT) (wrap of insured)		
<i>Unenhanced Rating</i>	A(SPUR)/Stable	Affirmed
Miami Dade Cnty Expwy Auth toll (AGM)		
<i>Unenhanced Rating</i>	A(SPUR)/Stable	Affirmed

Rationale

Standard & Poor's Ratings Services has affirmed its 'A' rating on Miami-Dade County Expressway Authority (MDX), Fla's toll system revenue bonds outstanding. The outlook is stable.

The rating reflects our assessment of the toll system's good market position, serving a large commuter user base; its sizable capital plan; and solid projected medium-term coverage of the system's obligations, assuming no toll increases.

More specifically, the rating reflects what we consider to be the following strengths:

- The critical links that the urban toll system provides within the Miami-Dade County region roadway network, featuring moderate-to-significant time savings compared with travel times on free alternative routes;
- Operating revenue benefits from continuing the open road tolling (ORT) conversion, thereby reducing the share of users who exit before paying tolls; and
- Good recent financial metrics, including senior bond debt service coverage (DSC) of 1.54x in 2010 (the last year for which a full audit was available) and \$53.8 million unrestricted cash, or 624 days; we consider the latter to be very strong.

In our view, credit concerns include a large and ongoing capital program totaling \$436 million through 2016, although no additional debt is planned for the current program; and a sharp increase in senior-lien debt service in fiscal 2012 (\$74.1 million, compared with \$58.8 million in 2011), which continues to climb thereafter, although much less steeply.

The system's net revenues secure the bonds. Debt outstanding totals about \$1.25 billion of parity senior bonds and \$34 million in subordinated state loans that we do not rate. Parity bonds include \$241.4 million in series 2005 auction rate securities that have been converted to a floating mode, subsequently swapped to fixed. The remaining bonds are fixed-rate.

MDX was created as an agency of the state in 1994 to operate and expand the existing system as well as to construct other regional transportation projects on an expressway system within Dade County. The 33-mile system

(31 miles of which are tolled) includes five expressways running primarily east-west through the metropolitan Miami area. All toll plazas have dedicated lanes for SunPass (the current electronic toll collection system). The system is overwhelmingly an urban commuter system, with 98% of revenue coming from two-axle vehicles.

The five expressways include:

- Airport Expressway (SR 112): Opened in 1961, SR 112 runs 4.1 miles from Miami International Airport on the west to I-95 on the east;
- Dolphin (East-West) Expressway (SR 836): Opened in 1965, SR 836 runs 14.0 miles through downtown Miami, to Miami International Airport and to the central and western parts of the county;
- Don Shula (South Dade) Expressway (SR 874): Opened in 1974, the SR 874 runs for 7.2 miles connecting southwest suburban areas of the county;
- Snapper Creek Expressway (SR 878): Opened in 1974, the SR 878 runs 3.0 miles and connects the Don Shula/South Dade Expressway to US Highway; and
- Gratigny Parkway (SR 924): Opened in 1991, SR 924 runs 5.4 miles and connects Broward County via Interstate 75 and from the Palmetto Expressway in northwest Miami-Dade County to major arterials in northern Miami-Dade County, which connect to I-95.

MDX is implementing ORT and removing toll plazas such that all tolls would be collected electronically via either SunPass or video tolling. This will enable the authority to capture those traffic movements that don't currently pay a toll. During June and July 2010, three of the five expressways (Don Shula, Gratigny Parkway, and Snapper Creek--the last of which had not previously been tolled), were fully closed-off to free traffic movements. As a result, transactions throughout the system increased considerably, by 87.9% for the 11 months ended May 2011, compared with the same period a year earlier. Revenues, meanwhile, have increased 12.4% to \$112.4 million. On a percentage basis, toll revenues have not increased in lockstep with transactions; traffic movements that had previously been free were likewise uncounted, and the toll rates on each expressway have been spread out among multiple collection points, to effectively retain the same overall toll rate. As for the Airport and Dolphin Expressways, drivers still may access portions of these roadways for free; management expects full closure to free access by early 2014, at which point the entire system would be fully ORT.

Based on system traffic increasing slightly less than 2% for fiscal 2012, bond DSC is budgeted at 1.40x, which is management's minimum policy, although this is higher than the rate covenant. We understand that management will operate to this level, and as such we don't expect DSC to be any lower. We consider this level still to be good, although note that DSC has declined in recent years from a peak of 2.51x in 2007; the 2011 budget had included DSC of 1.47x, and we expect that audited figures will demonstrate DSC near that figure, given results through May. The system's liquidity remains very strong as well, in our view. Management reports \$77.7 million in unrestricted cash in the general fund as of July, or 700 days' cash based on budgeted 2012 operating expenses.

The five-year capital plan (fiscals 2012-2016) is \$436 million. The plan is broken into three broad categories:

- Transportation improvement: \$397 million (system expansion and capacity improvements);
- Capital improvement: \$14 million (other minor improvements to the system); and
- Renewal and replacement: \$25 million (non-annual maintenance).

We believe management has a good track record of project delivery. Management is funding the plan's first two components from already-issued bonds, and the renewal and replacement from ongoing revenues. It is also planning

no additional debt in the near term, although it is possible that long-term projects that are not captured in the current plan and would be associated with increased revenue streams could be debt-financed.

We have assigned MDX a Standard & Poor's overall Debt Derivative Profile score of '1.5' on a scale of '1' to '4', '1' representing the lowest risk. The score reflects Standard & Poor's view that the issuer swap portfolio reflects very low credit risk. The authority has three swaps outstanding that are all structured as floating-to-fixed rate, whereby it pays a fixed rate and receives a floating rate based on a one-month Securities Industry and Financial Markets Association index. The swaps have a total notional value of \$241 million, and an August mark-to-market value placed the total swap portfolio at about \$51 million, collectively in the counterparties' favor. If necessary, all termination payments are subordinate to debt service.

Outlook

The stable outlook reflects our expectation that traffic and revenue will continue to demonstrate growth in the next two years. More broadly, we expect MDX will continue its steps toward full ORT conversion and complete closure to free traffic movements. If in the next two years traffic and revenue decline considerably, or if DSC continues to erode, we could lower the rating. We could also take negative action if the authority leverages its potential gains from planned ORT conversion, if such conversion is significantly delayed. Were MDX to demonstrate sustained financial improvements relative to DSC and liquidity, while at the same time not leveraging additional revenue from full ORT conversion, we could raise the rating.

Related Criteria And Research

- USPF Criteria: Toll Road And Bridge Revenue Bonds, June 13, 2007
- USPF Criteria: Municipal Swaps, June 27, 2007
- USPF Criteria: Debt Derivative Profile Scores, March 27, 2006

Ratings Detail (As Of August 31, 2011)		
Miami Dade Cnty Expwy Auth toll sys (wrap of insured) (AMBAC & BHAC) (SEC MKT) <i>Unenhanced Rating</i>	A(SPUR)/Stable	Affirmed
Miami Dade Cnty Expwy Auth toll sys (wrap of insured) (AMBAC, AGM & BHAC) (SEC MKT) <i>Unenhanced Rating</i>	A(SPUR)/Stable	Affirmed
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Miami Dade Cnty Expwy Auth toll sys <i>Unenhanced Rating</i>	A(SPUR)/Stable	Affirmed
Miami Dade Cnty Expwy Auth toll sys rev <i>Unenhanced Rating</i>	A(SPUR)/Stable	Affirmed
Many issues are enhanced by bond insurance.		

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